May 20, 2009

CREDIT CARDHOLDERS BILL OF RIGHTS SET TO BECOME LAW
Measure Intended to Protect Consumers from Abuse by Credit Card Companies

WASHINGTON, D.C. - Passage of the Credit Cardholders' Bill of Rights by the House of Representatives today will send the bill to the President for his signature and mean that credit card customers will finally get some protection from credit card companies who have been abusing their ability to maximize profits at the expense of cardholders, Seventh District Congressman Dave Obey (D-WI) said today.

"Credit cards play an important role in our economy, but some credit card companies have been taking every opportunity to profit at consumers' expense by sharply increasing interest rates or using the fine print to hide fees or other important conditions," said Obey, who has been a strong advocate for increased consumer protections to counter those aggressive tactics. "With the economy the way it is, now more than ever we need these new rules of the road in place to keep the big boys honest and playing fair."The bill, which President Obama will soon sign into law, curbs a number of unfair practices that trap consumers in a vicious cycle of debt, including:

Universal default on existing balances. Credit card issuers can no longer increase a cardholder's interest rate on existing balances based on adverse information not related to card behavior. "Right now, some credit card companies will jack up interest on your existing balance, even if you've never been a day late paying your bill. The small print on their contract says they can charge you more for any reason, including f you've missed some other payment on somebody else's bill. So, if you go on a vacation and you're a week late paying your electric bill, if that gets reported on your credit report, a credit card company can take your 10 percent interest rate and jack it up to 30 percent or more, no questions asked," Obey noted. "That's nothing but usury, and I'm glad we're putting a stop to that practice.

Unjustified and retroactive interest charges. Card companies will not be able to hike interest rates retroactively on balances accrued before a rate increase takes effect (with minor exceptions) unless the cardholder is more than 60 days late in paying a bill. If such interest rate increases occur, card issuers must lower the rate after six months of on-time payments following the increase. Card companies will not be allowed to raise interest rates in the first year after a card account is opened.

Excessive and growing penalty fees. Penalty fees will have to be reasonable and proportional to the late or over-limit violation. Card issuers cannot charge over-limit fees unless the cardholder has affirmatively agreed to allow over-limit transactions.

Deceptive and costly payment application methods. Card companies will have to apply payments in excess of the minimum amount to the credit card balance with the highest rate of interest.

Unfair billing practices. Card companies cannot use "double-cycle" billing or impose interest charges on any portion of a balance that is paid by the due date.

Pay-to-Pay. Card companies cannot charge a fee for any payment method that is allowed, except for expedited service provided by a service representative.

Irresponsible lending and aggressive marketing to young consumers who do not have the ability to repay debt. Credit card issuers can no longer extend credit to consumers under the age of 21 unless the person has an independent means to repay the loan, or there is a cosigner who has such ability. Consumers under the age of 21 could choose whether to receive credit card solicitations.

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